PERAC
COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
JOSEPH E. CONNARTON, *Executive Director*

M E M O R A N D U M

TO: New Bedford Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: October 16, 2014

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made, on average, on August 1 of each fiscal year. The schedule is effective in FY15 (since the amount under the prior schedule was maintained in FY15) and is acceptable under Chapter 32.

As we discussed in our prior approval memorandum of January 3, 2013, we continue to have concerns about the salary increase assumption of 3.0% per year. This assumption was also used in the two prior valuations. Although experience in the past few years shows it to be a reasonable assumption in the short term, we expect that over the longer term this assumption will need to be increased (or the investment return assumption lowered further) which will increase plan liabilities. Since your funding schedule completes the amortization of the unfunded actuarial liability (UAL) in FY36, there is little room for extension, and any actuarial losses could lead to significant increases in future appropriation levels.

Our recent emphasis is to establish funding schedules which complete the amortization of the UAL by FY35. This allows systems some flexibility in the event of a market downturn. This has been difficult for many systems while recognizing the 2008 investment loss. Now that the 2008 loss is completely recognized, we believe establishing a schedule that completes amortization of the UAL by FY35 should be a top priority. We note that under the revised schedule, the total appropriation increases about 3.5% per year after FY16. If we were preparing alternative schedules for consideration, we would initially suggest reviewing a schedule in which the total appropriation increases 4.0% or perhaps 4.5% per year. About one third of local systems have a schedule in which the total appropriation increases by a set percentage for the length of the schedule. The annual percentage increase typically ranges from 4.0% to 6.0% but is as high as 8.5%. We are available to discuss this with you further.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

Enc.

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Appropriation Forecast

Fiscal Year Ending	Payroll*	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio %**
2015	$84,425,116	$7,212,866	$4,811,627	$23,442,324	$28,253,951	33.5	42.5
2016	$86,957,869	$7,487,918	$4,894,699	$24,864,207	$29,758,906	34.2	44.0
2017	$89,566,606	$7,772,982	$4,978,424	$25,832,405	$30,810,829	34.4	45.7
2018	$92,253,604	$8,068,411	$5,062,768	$26,839,332	$31,902,100	34.6	47.4
2019	$95,021,212	$8,374,569	$5,147,692	$27,886,536	$33,034,228	34.8	49.2
2020	$97,871,848	$8,691,836	$5,233,155	$28,316,394	$33,549,549	34.3	51.1
2021	$100,808,004	$9,020,602	$5,319,112	$29,449,049	$34,768,161	34.5	53.0
2022	$103,832,244	$9,361,270	$5,405,517	$30,627,011	$36,032,528	34.7	55.1
2023	$106,947,211	$9,714,261	$5,492,319	$31,852,092	$37,344,411	34.9	57.2
2024	$110,155,627	$10,080,005	$5,579,465	$33,126,175	$38,705,640	35.1	59.4
2025	$113,460,296	$10,458,952	$5,666,896	$34,451,222	$40,118,118	35.4	61.7
2026	$116,864,105	$10,851,563	$5,754,551	$35,829,271	$41,583,822	35.6	64.2
2027	$120,370,028	$11,258,318	$5,842,366	$37,262,442	$43,104,808	35.8	66.8
2028	$123,981,129	$11,679,711	$5,930,270	$38,752,940	$44,683,210	36.0	69.5
2029	$127,700,563	$12,116,256	$6,018,190	$40,303,057	$46,321,247	36.3	72.3
2030	$131,531,580	$12,568,482	$6,106,049	$41,915,180	$48,021,229	36.5	75.3
2031	$135,477,527	$13,036,937	$6,193,762	$43,591,787	$49,785,549	36.7	78.5
2032	$139,541,853	$13,522,187	$6,281,243	$45,335,458	$51,616,701	37.0	81.7
2033	$143,728,109	$14,024,819	$6,368,399	$47,148,877	$53,517,276	37.2	85.1
2034	$148,039,952	$14,545,440	$6,455,130	$49,034,832	$55,489,962	37.5	88.7
2035	$152,481,150	$15,084,675	$6,541,334	$50,996,225	$57,537,559	37.7	92.3
2036	$157,055,585	$15,643,173	$6,626,901	$53,036,074	$59,662,975	38.0	96.1
2037	$161,767,253	$16,221,605	$6,711,714	$0	$6,711,714	4.1	100.0
2038	$166,620,270	$16,820,664	$6,795,652	$0	$6,795,652	4.1	100.0
2039	$171,618,878	$17,441,067	$6,878,585	$0	$6,878,585	4.0	100.0
2040	$176,767,445	$18,083,555	$6,960,379	$0	$6,960,379	3.9	100.0
2041	$182,070,468	$18,748,896	$7,040,889	$0	$7,040,889	3.9	100.0
2042	$187,532,582	$19,437,882	$7,119,966	$0	$7,119,966	3.8	100.0
2043	$193,158,559	$20,151,334	$7,197,451	$0	$7,197,451	3.7	100.0
2044	$198,953,316	$20,890,098	$7,273,176	$0	$7,273,176	3.7	100.0
2045	$204,921,916	$21,516,801	$7,491,372	$0	$7,491,372	3.7	100.0
2046	$211,069,573	$22,162,305	$7,716,113	$0	$7,716,113	3.7	100.0

* Calendar basis

** Beginning of Fiscal Year